Decision **DRAFT DECISION OF ALJ WEISSMAN** **(Mailed 1/18/2006)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Examine the Commission's Future Energy Efficiency Policies, Administration and Programs.	Rulemaking 01-08-028 (Filed August 23, 2001)

OPINION MODIFYING DECISION 03-12-060 IN RESPONSE TO THE PETITION OF SBW CONSULTING, INC. DATED NOVEMBER 22, 2005

I. Background

SBW Consulting, Inc. (SBW) requests the Commission's authorization to use public goods charge (PGC) funds from the 2002-2003 SBW Compressed Air Management Program (CAMP) (Reference No. 97-02) allocated by Decision (D.) 02-05-046 to fund customer applications associated with the 2004-2005 SBW CAMP (Reference No. 1229-04). Specifically, SBW seeks authorization to increase the incentive dollars of the 2004-2005 CAMP funded by D.03-12-060, with monies left from the 2002-2003 CAMP funded by D.02-05-046.

This request is being made in response to strong customer demand for SBW's CAMP. The Commission approved a similar request by ASW Engineering (ASW) for its Energy Savers Program.[1] SBW requests similar

[1] D.05-05-029, dated May 26, 2005, granted the motion of ASW, dated January 28, 2005, to transfer $238,154.89 to its 2004-2005 Energy Savers program from its 2002-2003 Energy Savers program budget and credit the associated savings to the 2004-2005 Energy Savers program.

consideration for this request. SBW filed its petition on November 22, 2005. No parties have responded to the SBW petition.

II. Discussion

The CAMP provides energy efficiency assessments of large compressed air systems (greater than 150 horsepower) to industrial customers in the Pacific Gas and Electric Company (PG&E) service area, and provides incentive payments for customers that adopt the recommended efficiency improvements. There has been a large demand for the CAMP among industrial customers in the 2004-2005 program years. In D.05-12-004, we granted SBW six additional months to complete its work related to the 2004-2005 effort.

As of November 1, 2005, SBW had successfully completed the CAMP assessments for 28 large industrial compressed air systems. The assessments have resulted in recommendations for efficiency improvements that total 17,011,528 kilowatt hours (kWh) and 2,055 kilowatts (kW), if fully implemented. This total exceeds the program kWh goal by 178% and the program kW goal by 243%. SBW purposely performed assessments and made recommendations that exceeded the program goal because experience from the 2002-2003 program showed that customers do not implement all recommendations.

SBW is confident that a sufficient number of recommendations given to the 2004-2005 participants will be implemented that the program goal will be exceeded, if all participants are provided with the program incentive. It is also likely that customers will not implement measures after the current incentive budget of $381,530 is exhausted.

SBW would like to meet this higher-than-expected demand for the CAMP by transferring unused funds from the 2002-2003 CAMP program to the 2004 2005 CAMP program. SBW requests that $255,000 in unused funds be transferred to the incentive budget for the 2004-2005 program. These additional funds would not be used for SBW labor, but only to supplement the incentive budget.

The CAMP Implementation Plan set the program gross energy savings goal at 9,538,243 kWh, with a Total Resource Cost (TRC) savings-to-cost ratio of 2.00. As of November 1, 2005, the estimated gross savings for the CAMP recommendations totals 17,011,528 kWh, which is 178% of the program energy savings goal. If all of the recommendations are implemented and the additional incentives are applied to the savings above the program implementation goal, the cost effectiveness of the program will increase to a TRC of 3.65. The additional projects served through this increased incentive budget will bolster public participation in this popular Commission-funded energy efficiency program. SBW recognizes that PG&E may require additional funding as Program Administrator and offers to dedicate a percentage of the dollars for that purpose.

When SBW filed its request for an extension of time, which was granted in D.05-12-004, it characterized the extension as having no cost implications. At that time, SBW did not anticipate the potential magnitude of two projects it was pursuing with one particular customer. We note that SBW informed us of this realization, through the filing of the current petition, prior to our decision granting the request for the extension. Those two projects, alone, have a combined expected energy savings equal to 65% of the program's goal. While the current incentive budget of $381,530 is enough to cover the incentive amounts if all measures were installed for the other projects on SBW's list, those funds would not be sufficient to serve the remaining two projects. Regardless of the outcome of Energy Division's Final Payment Review of the 2002-2003 program, the budget for the 2002-2003 program is sufficient to make up the difference.

As of November 2005, SBW had expended 52% of the 2004-2005 CAMP budget; hence, a potential exists for under-spending in several budget categories, which could offset the total amount of shortfall for incentives.[2] For example, there appears to be a potential for under-spending in the following Direct Implementation categories (percent of budget already spent in parentheses): Labor – Customer Equipment Repair and Servicing (21%); Subcontractor Labor - Customer Equipment Repair and Servicing (0%); Labor - Rebate Processing (5.48%). Other potential areas for under-spending include $7,630 budgeted for Financing Costs.

The CAMP, as implemented for 2004-2005, promises significant savings beyond initial projections. For this reason, we will allow SBW to use as much as $255,000 of unspent 2002-2003 CAMP funds for 2004-2005 incentives, provided that the following conditions are met:

1. The amount that PG&E may require as Program Administrator is capped at a fixed percent, up to 5%.
2. SBW first reallocates under-spent funds from the categories other than Evaluation, Measurement, and Verification (EM&V) and Potential Performance Award, to offset portions of the incentive shortfall.

III. Comments on Draft Decision

Pursuant to Public Utilities Code Section 311(g)(2) and Rule 77.7(f)(2), the public review and comment period is shortened. Comments on the draft

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[2] Based on information from SBW's monthly report submitted to the Commission's Energy Efficiency Groupware Application (EEGA) database.

decision must be filed by February 8, 2006 and reply comments must be filed by February 14, 2006. No comments were received.

IV. Assignment of Proceeding

Michael R. Peevey is the Assigned Commissioner and Steven A. Weissman is the assigned ALJ in this proceeding.

Findings of Fact

1. With increased funding for incentive payments, SBW may be able to significantly increase the cost-effective energy savings resulting from its 2004-2005 CAMP.

2. There are sufficient funds available from SBW's 2002-2003 to meet SBW's additional needs.

3. SBW can make up some of the shortfall by shifting funds from other categories in its 2004-2005 budget.

Conclusion of Law

The Commission should modify D.03-12-060 to allow SBW to shift up to $255,000 from its 2002-2003 budget for incentive payments related to its 2004-2005 program, as long as it first uses any unspent funds from other budget categories, as discussed above.

O R D E R

IT IS ORDERED that Decision 03-12-060 is modified to allow SBW Consulting, Inc. (SBW) to increase its budget for incentive payments related to its 2004-2005 Compressed Air Management Program by shifting up to $255,000 from its unspent 2002-2003 program budget, subject to the following conditions:

3. The additional funding that Pacific Gas and Electric Company may require as Program Administrator is capped at a fixed percent, up to 5%.
4. SBW must first reallocate under-spent funds from the 2004-2005 Direct Implementation categories other than Evaluation, Measurement and Verification, and Potential Performance Award, to offset portions of the incentive shortfall.

This order is effective today.

Dated ______________________________, at San Francisco, California.